

Message Text

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INFO OCT-01 ISO-00 DLOS-04 SAL-01 OFA-01 OES-03 IO-11 EB-07

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PM-04 H-02 INR-07 L-03 NSC-05 PA-01 PRS-01 SP-02

SS-15 DOTE-00 TRSE-00 COME-00 SAI-01 ACDA-05 /086 W

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FM AMEMBASSY REYKJAVIK

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SECDEF WASHDC IMMEDIATE

AMEMBASSY BONN

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C O N F I D E N T I A L SECTION 1 OF 2 REYKJAVIK 0054

E.O. 11652: XGDS-1

TAGS: EFIS PFOR IC UK NATO

SUBJECT: ICELAND-UK FISHERIES DISPUTE: WHAT PRIMEMIN HALLGRIMSSON
HOPES TO ACCOMPLISH AT JAN 12 NATO SESSION

REF: (A) REYKJAVIK 0049 (DTG 102040Z JAN 76)

(B) REYKJAVIK 0053 (DTG 111940Z JAN 76)

(C) REYKJAVIK 0035 (DTG 081720Z JAN 76), SEVERAL AMB IRVING-
PINKNEY (EUR/NE) TELECONS TODAY

1. SUMMARY: PRIME MINISTER FEELS FOREGONE CONCLUSION ICELAND WILL
SEVER DIPLOMATIC RELATIONS WITH UK THIS WEEK (REFTEL B). HOPES TO
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AVOID NEXT STEP OF BEING FORCED TO WITHDRAW NATO DEL OR EVEN

WITHDRAW MEMBERSHIP. TO AVOID THIS HE BELIEVES "ESSENTIAL" THAT NATO NATIONS SHOW THEY SIDE WITH ICELAND IN THE DISPUTE OR AT LEAST USG MUST MAKE STRONG PLEA ON BEHALF ICELAND BECAUSE OF ICELAND'S UNUSUAL DEPENDENCE ON FISH IN DISPUTED WATERS FOR HER "VERY LIVELIHOOD" AND BECAUSE OF ICELAND'S STRATEGIC POSITION IN ALLIANCE DEFENSE. HE DOES NOT (RPT NOT) WANT NATO TO DESIGNATE LUNS FORMALLY TO MEDIATE AT THIS TIME. WANTS LUNS TO VISIT REYKJAVIK AND THEN LONDON IN HIS PERSONAL CAPACITY AND/OR ON A "FACT-FINDING" MISSION AS A BUILD-UP TO A SUBSEQUENT NATO MEETING AS MENTIONED IN JAN 8 GOI COMMUNIQUE POINT FIVE (REFTEL C). AS ALTERNATIVE TO STRONG CONDEMNATION OF UK, PRIMEMIN HOPES UK CAN BE PERSUADED TO DUPLICATE THE PROCEDURE AS APPLIED BY OCTOBER 1973 EXCHANGE OF MESSAGES IN PREVIOUS "COD WAR" WHEREBY UK WITHDREW ITS FRIGATES IN ANTICIPATION THAT ICELAND WILL NOT HARRASS UK TRAWLERS WITHOUT ICELAND FORMALLY COMMITTING ITSELF TO LATTER. IF THIS FAILS BUT IF NATO CAN CALM THE SITUATION BY GETTING UK TO TAKE "LOW PROFILE" IN DISPUTED WATERS BY AVOIDING CONTACT WITH ICELANDIC COAST GUARD SHIPS, PRIMEMIN WILLING TRY (RPT TRY) CONVINCE HIS GOVT ALSO TO ORDER COAST GUARD AVOID CONTACT BY ESTABLISHING A "PERMISSABLE, TEMPORARY FISHING PERIMETER" WITHIN WHICH UK TRAWLERS WILL NOT BE HARRASSED. IF A FEW WEEKS QUIET CAN BE ACHIEVED HE BELIEVES MIGHT BE POSSIBLE TO RESUME NEGOTIATIONS. HE SAID THIS LAST SUGGESTION IS STRICTLY HIS OWN WHICH HE CLAIMS HE HAS NOT (RPT NOT) DISCUSSED WITH ANYBODY. END SUMMARY.

2. I SPENT TWO HOURS WITH PRIMEMIN AT HIS REQUEST (REFTEL A) DISCUSSING FISHERIES DISPUTE, TOMORROW'S NATO MEETING, AND THE BARRICADES AT IDF INSTALLATIONS. SEPTELS WILL PRESENT SIGNIFICANT POINTS ON THESE TOPICS.

3. WE WENT THROUGH THE USUAL ARGUMENTS WHY IT WAS NOT POSSIBLE FOR USG TO TAKE SIDES IN THE DISPUTE. PRIMEMIN REMARKED THAT IN ORDER TO SAFEGUARD MEMBERSHIP IN NATO AND PERHAPS EVEN RETENTION OF IDF, THE USG MUST INCLINE TOWARD ICELAND. HE SAID HE MUST BE ABLE TO MAKE "CRYSTAL CLEAR" TO THE HARDLINERS IN HIS CABINET (THE PROGRESSIVE PARTY) AND TO THE DISENCHANTED WITHIN HIS OWN PARTY THAT THE USG CARES ENOUGH ABOUT ICELAND AS TO WANT TO GO BEYOND THE USUAL DIPLOMATIC STEP OF "DEPLORING THE DISAGREEMENT THAT HAS DEVELOPED BETWEEN TWO FRIENDS." HE SAID HE IS LOSING CONTROL OF SITUATION IN ICELAND REGARDING DEFENSE CONSIDERATIONS AND CONFIDENTIAL

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IMPLIED THAT HE AND HIS GOVT CAN FALL IF UK FRIGATES CONTINUE TO DELIBERATELY RAM ICELAND'S COAST GUARD SHIPS. HE SAID IT IS NONSENSE TO PUT BLAME ON ICELAND; THAT A 600 TON ICELANDIC GUNBOAT WOULD NOT COMMIT SUICIDE BY DELIBERATELY RAMMING A 2500 TON UK FRIGATE. HE SAID ICELAND HAS ONLY 4 GUNBOATS IN SAILING CONDITION AND ICELAND IS TOO BROKE TO DELIBERATELY KEEP INCURRING REPAIR EXPENSE. HE SAID TO PROVE UK LYING HE WILLING TO HAVE UK OR USG OR NATO PUT MARITIME EXPERTS ON THE GUNBOATS OR HAVE NATO EXPERTS

HOLD COURT OF INQUIRY ON RAMMINGS.

4. I REMARKED USG CANNOT TAKE SIDES BUT HE AND OTHER RESPONSIBLE LEADERS NEED NOT BE REMINDED OF OUR CONCERN. AFTER CONSIDERABLE DISCUSSION HE SAID HE MIGHT BE ABLE TO CALM THE CLAMOR AGAINST NATO AND KEEP THE FISHERMEN FROM FURTHER BARRICADING IDF INSTALLATIONS IF USG WOULD GO ON RECORD AT TOMORROW'S NATO SESSION ABOUT THE UNUSUAL IMPORTANCE OF ICELAND IN ALLIANCE DEFENSE AND ICELAND'S UNUSUAL RELIANCE ON FISH. HE WOULD ALSO HOPE, HOWEVER, THAT USG WOULD TRY TO GET UK TO TAKE "LOW PROFILE" AS DESCRIBED PARA ONE, ABOVE.

5. WHEN I EXPRESSED SOME PUZZLEMENT AS TO HOW HE EXPECTS LUNS TO MEDIATE DISPUTE WHEN ICELAND IS TAKING ACTION TO PUT OBSTACLES IN HIS WAY (E.G., SEVERING RELATIONS WITH UK, BARRICADING IDF INSTALLATIONS, ETC.), HE WAS SURPRISED THAT GOI'S COMMUNIQUE COULD BE INTERPRETED TO INVITE LUNS' MEDIATION. HE SAID HIS GOVT WOULD BE IN TROUBLE IF HE AGREED TO NEGOTIATE WHILE UK FRIGATES ARE IN THE DISPUTED WATERS. HE DESCRIBED LUNS' ROLE AS INDICATED PARA ONE, ABOVE.

6. WHEN I SUGGESTED HE WAS ASKING MORE OF UK THAN LATTER INDICATED WILLING TO CONCEDE, HE REMARKED HE COULD NOT SEE WHY UK COULD NOT BE PERSUADED TO USE SAME FORMULA NOW AS IN OCTOBER 1973 WHEN LAST "COD WAR" WAS SOLVED. HE SAID HE WOULD WELCOME THIS TYPE OF SUGGESTION BY USG AT NATO MEETING. HE KEPT EMPHASIZING USG ROLE. WHEN I ASKED WHY ANOTHER NATION COULD NOT MAKE THIS SUGGESTION, HE REITERATED A USG POSITIVE ROLE WOULD DEFUSE PROTESTS AGAINST IDF.

7. I REMARKED DURING COURSE OF OUR CONVERSATION THAT THERE IS SOMETHING I MUST NOT BE GRASPING BECAUSE HIS SUGGESTIONS OR COMMENTS SEEM CONTRADICTORY. I ASKED WHETHER GOI HAD A LONG RANGE
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REALISTIC PLAN CONCERNING DISPUTE. HE REPLIED HE COULD NOT CALL IT A PLAN BUT THERE IS STRONG VIEWPOINT WITHIN GOVT THAT GOI MUST HAVE OPPORTUNITY TO POINT OUT TO ICELANDERS THAT UK CAN FISH MORE WITHOUT AN AGREEMENT THAN WITH A COMPROMISE, BUT WITH EMOTIONS RUNNING SO HIGH RESULT OF RAMMINGS, HE AND OTHERS CANNOT BE HEARD, OR WOULD THEY EVEN TRY TO PRESENT THIS AGRUMENT. HE NEEDS PERIOD OF CALMNESS ON THE SEAS. HE THAN SAID HE WOULD LIKE TO SOUND ME OUT ON A PLAN HE SO FAR HAS KEPT ONLY TO HIMSELF. HE DESCRIBED IT AS FOLLOWS: UK TRAWLERS AGREE TO FISH IN A VERY RESTRICTED AREA. UK FRIGATES ALSO STAY WITHIN THIS AREA. ICELAND COAST GUARD GUNBOATS WILL NOT INTRUDE WITHIN AREA BUT WILL CUT TRAWLS OF UK TRAWLERS, WITHOUT UK FRIGATE INTERFERENCE, IF A UK TRAWLER TRIES TO GO OUTSIDE THE AREA. HE SAID THE CHANCES OF HIS CONVINCING HIS COLLEAGUES MIGHT BE SLIM BUT IT IS ABOUT THE ONLY IDEA HE HAS AT THE MOMENT TO CREATE A CALM PERIOD, IN ABSENCE OF NC FRIGATE WITH-

DRAWAL. MY RESPONSE WAS THAT ANYTHING WAS WORTH A TRY. I COULD NOT COMMENT ON ITS MERITS, BUT IT SEEMED TO ME THAT ITS SUCCESS WOULD DEPEND ON HOW LARGE AN AREA HE WAS WILLING TO DEFINE AS THE ZONE.

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8. COMMENT: PRIMEMIN'S STATE OF MIND WAS SUCH THAT THE IMPLICATION WAS PRESENT THAT HIS DELAYING TACTICS REGARDING ADVERSE ACTION AGAINST NATO WAS LOSING HIM SUPPORT WITHIN HIS OWN PARTY AS WELL AS WITHIN THE COUNTRY AT LARGE. THE PROGRESSIVE PARTY APPEARS READY TO ABANDON HIM AND PERHAPS BRING DOWN THE GOVT UNLESS HE TAKES A STRONGER POSITION AGAINST NATO. THROUGHOUT HIS POLITICAL CAREER HE HAS PUT SUCH STRONG RELIANCE ON A CLOSE RELATIONSHIP

WITH U.S. THAT HE FEELS USG MUST SHOW SOME EVIDENCE OF SUPPORT FOR HIS POSITION. HE WAS HIMSELF SURPRISED AT HOW FAST "COD WAR III" HAS TELESKOPED COMPARED WITH "COD WAR II." HE SAID FEELING AGAINST NATO AND THE IDF DEVELOPING AT AN INTENSITY STRONGER THAN DURING PERIOD WHEN ARTICLE VII OF DEFENSE AGREEMENT WAS INVOKED. HE DID CONFIDENTIAL

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NOT THINK THIS POSSIBLE, BUT THE REPEATED RAMMINGS BY UK FRIGATES IS CAUSING THIS STATE OF AFFAIRS. HE OUTLINED THE DETERIORATING STAGES AS FOLLOWS: (A) SEVERENCE OF RELATIONS WITH UK; (B) IF TOMORROW'S NATO SESSION DISAPPOINTING, THEN WITHDRAWAL OF ICELAND'S NATO DEL; (C) IF NATO SESSION THAT IS ENVISAGED TO TAKE PLACE AFTER PETUR THORSTEINSSON FINISHES HIS VISIT TO EUROPEAN NATO CAPITALS (IN 3 WEEKS) IS ALSO DISAPPOINTING, THEN WITHDRAWAL OF MEMBERSHIP FROM NATO; AND (D) LASTLY, INVOKING OF ARTICLE VII OF DEFENSE AGREEMENT.

9. RECOMMENDATION: DEPT CONSIDER REVISING INSTRUCTION TO USNATO AS CONTAINED IN SEPT 6730 TO EFFECT USG IS NOT AND CANNOT TAKE SIDES IN THE DISPUTE, BUT NEVERTHELESS WANTS TO POINT OUT USG CONCERN OVER THE DETERIORATING SITUATION AND FEELS THAT IN ARRIVING AT A SOLUTION TO THE DISPUTE THERE BE TAKEN INTO CONSIDERATION THE HEAVY RELIANCE OF ICELAND'S ECONOMY ON FISH, ACR THE IMPORTANCE OF ICELAND'S DEFENSE ROLE. THE COUNCIL SHOULD RECOMMEND, AS INDICATED IN USNATO 104 THAT UK AND ICELAND EXPLORE SAME FORMULA AS WAS USED SUCCESSFULLY TO END "COD WAR II." DESPITE PRIMEMIN'S STATEMENT THAT HE DOES NOT WANT A LUNS MEDIATING ROLE AT THIS TIME, LUNS BE ENCOURAGED TO PURSUE COURSE OF ACTION AS RECOMMENDED IN STATE 6730 PARA THREE.
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